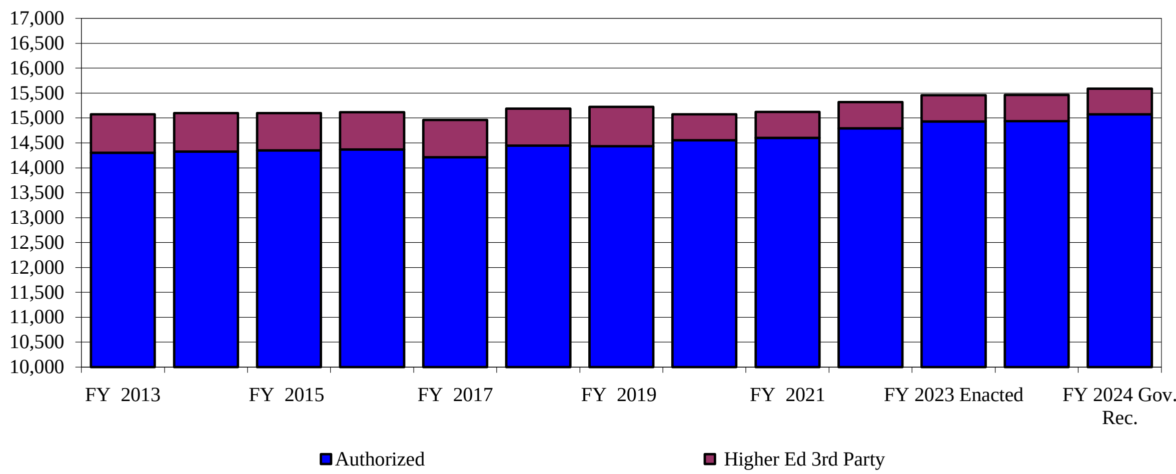
State Government Personnel and Staffing

The Governor recommends $2,651.2 million for personnel expenditures and 15,591.5 full-time equivalent positions, including 519.8 higher education positions dedicated for research or supported by other third-party funds. The recommendation is $3.9 million less than the enacted budget, including $59.7 million more for salaries and benefits and $55.7 million less for contracted services, primarily one-time COVID-19 related expenses.

His proposed staffing of 15,591.5 full-time equivalent positions, is 136.0 more than enacted and 128.0 more than the revised recommendation. The new positions include: 32.0 for the Department of Corrections' restrictive housing and behavioral management units, 21.0 for the newly created Department of Housing, 28.0 for the Department of Health, including 8.0 for water infrastructure projects review, 12.0 for the Department of Administration to enhance performance management reviews and audits, purchasing and financial management, and to support the Water Resources Board. It also includes 11.0 positions for the Executive Office of Health and Human Services, including 3.0 appeals officers for the Public Health Emergency unwinding. The recommendation also reflects the conversion of six seasonal employees to 4.0 positions in the Department of Human Services for Veterans' Memorial Cemetery.

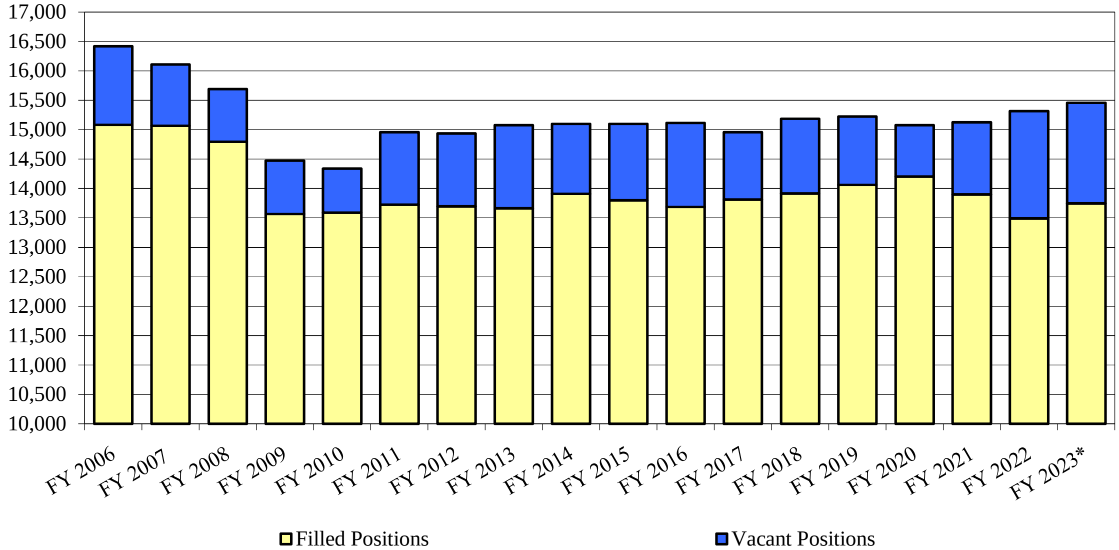
Full-Time Equivalent Positions



For many years, the budget has also limited a certain number of higher education positions to those solely funded by third-party sources in response to requests from the higher education institutions to reduce constraints on their pursuit of outside research funding. The FY 2020 final enacted budget shifted 265.0 third-party full-time equivalent positions at the University of Rhode Island to non-third party positions. This was done to address a problem with the filled position reporting where University staffing was over the authorized level. Auxiliary enterprise positions had been incorrectly reported as third-party prior to FY 2020. Once they were reported correctly, the University exceeded its non-third-party authorization. The Governor's recommended budget includes 519.8 higher education positions, 4.0 fewer positions than enacted.

The General Assembly sets personnel limits for each agency and department defined as the maximum allowable number of full-time equivalent positions filled during any pay period. These limits are referred to as authorized levels. The authorized levels do not include temporary or seasonal employees or individuals in training requisite to employment, such as state trooper classes. Generally, agencies do not fill all authorized positions because of various reasons, such as hiring freezes or budgeted turnover savings. Turnover is budgeting less money than needed for full staffing. Turnover savings result from the gap in time from when an employee leaves state service and a new employee is hired, often at a lower cost or from when a department leaves a position vacant to achieve a certain level of savings. The following chart shows average filled and authorized staffing levels from FY 2006 through FY 2022. For FY 2023, it is actual filled positions as of January 14.

Full-Time Equivalent Positions



**As of January 14, 2023*

A significant reduction to both authorized and filled positions is apparent in FY 2009, FY 2010 and FY 2011 resulting from a major surge of retirements in 2008 and severe constraints on refilling the vacancies.

During FY 2007, the Governor proposed initiatives including measures to encourage eligible individuals to retire, such as ending statutory status and payment for unused sick leave and revisions to accrued vacation leave, freezing longevity payments, shutting down government operations for two days, and establishing limited service positions. The Assembly did not concur with the proposals; however, it reduced vacant general revenue funded positions, eliminating 419.4 vacant positions. Over the years, the Assembly eliminated several hundred vacancies to better align authorization and filled staffing levels.

In FY 2018, the state averaged 13,913.2 filled positions. During the second half of FY 2018, the administration implemented a voluntary retirement incentive under its own authority. State employees eligible to retire on or before December 31, 2017 were eligible for the incentive. Beginning on January 12, 2018, the number of filled positions declined for ten consecutive pay periods as eligible participants retired. On January 11, 2019, there were 149.3 more positions filled than there were when the program began.

In FY 2021, the state averaged 13,896.5 filled full-time equivalent positions, and an average of 1,228.2 vacancies as staffing levels dropped during the pandemic, partially from a similar voluntary retirement incentive program. The 2021 Assembly authorized 15,313.2 full-time equivalent positions for FY 2022, including 523.8 higher education positions dedicated for research or supported by other third-party funds. This is 224.0 full-time equivalent positions more than the Governor's original recommendation. The Assembly did not concur with the Governor's proposal to privatize the state-run system for adults with developmental disabilities. It added 75.0 full-time equivalent positions in the Department of Children, Youth and Families to proceed with the accreditation process, and 15.0 full-time equivalent positions in the Department of Health for administration, financial oversight of Centers for Disease Control and Prevention grants and monitoring vaccination efforts and new outbreaks.

The Assembly authorized 15,455.5 full-time equivalent positions for FY 2023, 33.0 positions more than the Governor's amended recommendation. This includes 20.0 positions to support redetermination efforts following the end of the public health emergency in the Department of Human Services. It authorized 15,317.9 full-time equivalent positions for FY 2022, 2.6 fewer than the Governor's revised budget. In FY 2022, the state averaged 13,490.8 filled full-time equivalent positions, and an average of 1,827.1 vacancies.

The Governor's revised budget includes staffing of 15,463.5 full-time equivalent positions, 8.0 positions more than enacted for water infrastructure projects review and for the Department of Health to ensure compliance with federal and state laws. He recommends 15,591.5 full-time equivalent positions for FY 2024, which is 136.0 more than enacted and 128.0 more than the revised budget. As of January 14, there were 13,746.8 positions filled.

Personnel Costs

Personnel costs include both salaries and benefits and contracted services. Benefits include direct benefits to employees as well as assessed statewide employee benefits. Contracted services are services state government purchases by contract. The Governor's personnel recommendation includes $2,090.3 million for salaries and benefits and $561.0 million for contracted services. These expenditures represent an increase of $3.9 million or 0.1 percent from the FY 2023 enacted budget with major reductions to pandemic related contracted services offsetting growth in salaries and benefits.

FY 2024 Recommended Excluding ISF	General Revenues	Federal Funds	Restricted Receipts	Other Funds	Total
Salaries and Wages	$ 735,250,297	$ 205,840,356	$ 56,042,945	$ 381,015,577	$ 1,378,149,175
Benefits	409,788,083	131,105,644	32,319,299	138,904,939	712,117,965
Total Salaries and Benefits	**$ 1,145,038,380**	**$ 336,946,000**	**$ 88,362,244**	**$ 519,920,516**	**$ 2,090,267,140**
Contracted Services	109,350,017	295,506,640	110,563,931	45,557,706	560,978,294
Total Personnel	**$ 1,254,388,397**	**$ 632,452,640**	**$ 198,926,175**	**$ 565,478,222**	**$ 2,651,245,434**

Recommended expenses for salaries and benefits increase $59.7 million from all sources or 2.9 percent, including $37.8 million from general revenues. The majority of the increase is for known settled contract negotiations for the Higher Education institutions and a placeholder for unsettled contracts, including the Rhode Island Brotherhood of Correctional Officers.

These expenditures exclude internal service funds; however, the staffing levels do include them, which skews the actual cost per position. Further information and descriptions of the internal service funds are included in the later part of this report.

There are three divisions of state service: classified, unclassified, and non-classified. Classified service includes competitive and non-competitive positions. Competitive positions require employees to take civil service examinations, as opposed to non-competitive positions which include positions that require licenses, certificates, or registrations. Positions in the unclassified service are established by law and are subject to compliance with standards of the federal government and regulations set forth by the state's Personnel Administrator. Positions in this category generally include the employees of elected officials, courts, boards and commissions, both houses of the General Assembly, department directors, and various positions of a policy-making nature. All appointments are made by the appointing authorities or the Governor in accordance with the provisions of the laws governing such appointments and the personnel rules adopted for the unclassified service. Positions within the non-classified service are covered under contract terms for the Board of Education and include positions related to a health system transformation project, as well as faculty.

Employee status refers to an employee's protection during reorganizations or layoffs. When an employee is first hired, he or she may have temporary or probationary status, which provides the least protection. All employees that were hired prior to August 7, 1996, will have statutory status when reaching 20 years of state service. This means that the state is required to find a suitable position for that employee in the case of reorganizations or layoffs. For veterans, statutory status is acquired after 15 years of service. On February 10, 2022, the administration reported that there were 1,717 employees with statutory status, including 69 employees who were eligible through the veterans' provision.

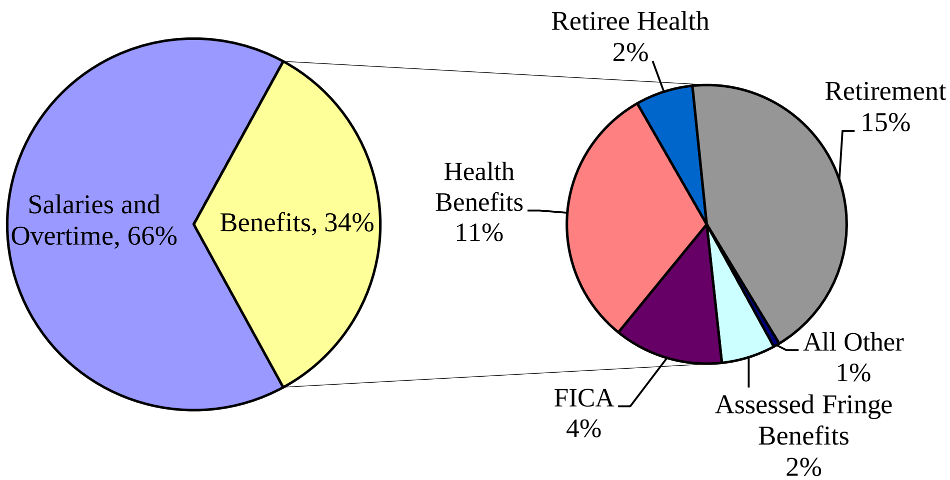
Governor Chafee commissioned an analysis of the state's personnel system to recommend alternatives to the current system. The study was completed in January 2013 and found that the current personnel structure, organization and staffing of the Division of Human Resources was not sufficient to support the state's need as the recruiting process was highly paper-based, job classification structures did not reflect qualifications to deliver the services and the compensation structures were non-competitive. A total of 16 actions were recommended, including: implementing an online application system, eliminating the public hearing process when making changes to the classification structure, and hiring a new chief of human resources to be dedicated to establishing strategic direction and developing policies. The 2013 Assembly provided funding for this position, which was filled in December 2013.

The FY 2016 revised and the FY 2017 recommended budgets included a total of $1.2 million for a classification and compensation study. The study was completed in the summer of 2017 and through FY 2018, a total of $0.8 million was spent. The following excerpts summarize the major findings from four comparisons.

1. Salary structure: Overall, the state's salary structure is different from the market in the following ways:
   - Range minimum: 7.6 percent higher than the market average minimum
   - Range midpoint: 2.5 percent lower than the market average midpoint
   - Maximum: 11.8 percent lower than the market average maximum
2. Health care insurance: On average, Rhode Island is 9.7 percent higher than the market median for employer contribution to health care plans
3. Retirement plan: On average, Rhode Island is 1.34 percentage points higher than the market for maximum employer contribution to the primary retirement plan
4. Paid leave for Rhode Island is:
   - Comparable with the market for paid holidays, personal days, and bereavement days
   - Comparable with the market for annual accrual vacation days and sick leave
   - Above the market for carry-over vacation days by 331 percent, and above market for carry-over sick leave by 711 percent

The 2021 Assembly transferred $50.0 million to the Information Technology Investment Fund to support the Enterprise Resource Planning System to include human resources, information system, payroll, and financial management. The current systems are nearing the end of their useful lives and are susceptible to security risks. The Auditor General had historically reported the inefficiencies with the various systems. The Governor's FY 2023 recommended budget includes $2.0 million from general revenues to conduct a statewide compensation and job classification study. The administration indicated that the current human resource system contains too many job classifications. It further noted that if job classifications are not updated, it will result in having outdated data being entered into the new human resources module. The study will take multiple years to finish. The 2022 Assembly concurred with the Governor's recommendation, requiring unspent funds from the study be reappropriated to the following fiscal year. The administration anticipates awarding the contract for the study in February 2023.

FY 2024 Recommended Salaries and Benefits



Salaries and benefits make up 78.8 percent of total personnel costs. The chart above represents the total cost of salaries and benefits. The larger pie chart divides salaries and wages, including overtime and benefits. The smaller pie chart breaks out the percentage of each benefit type. Each of the items included in the graphic is described in further detail in the paragraphs that follow.

Salaries. Direct salaries refer to the wages paid to state employees. This amount may increase due to many factors. For many state employees, pay scales are determined by position grade and classification. An employee will have a base salary, and there will be increases along a five-step scale annually after the employee's first six months. Prior to July 1, 2011, after an employee had been in state service for a specified number of years, he or she became eligible for longevity increases. These increases were applied to the base salary. This was authorized by collective bargaining agreements for union employees, with different increases for education agencies contained in statute; it was personnel policy for non-union employees.

For most positions, collective bargaining agreements also determine if an employee will receive a cost-of-living adjustment. This adjustment differs from a longevity increase because it applies to all employees in that pay grade. For example, if all state employees receive a 3.0 percent cost-of-living increase on July 1, then an employee with a pay grade ranging from $50,000 to $59,000 will now be in a pay grade of $51,500 to $60,770.

In April 2018, Governor Raimondo reached agreements with a majority of state employee unions for wage and benefit changes that include cost-of-living adjustments of 2.0 percent effective December 24, 2017, 2.5 percent effective December 23, 2018, 2.0 percent effective June 23, 2019, and 1.0 percent effective December 22, 2019. Those contracts expired June 30, 2020.

In late 2021, Governor McKee reached agreements with a majority of state employee unions that include cost-of-living adjustments of 2.5 percent annually from FY 2021 through FY 2024, for a total of 10.0 percent. It included two $1,500 bonuses with one payable to current union employees as of the ratification of the contract and the second for those employed on July 1, 2022. The agreement amended the sick leave provision to increase the number of days an employee can discharge to care for immediate family who are ill, provided that medical documentations are furnished. It broadened the family members for whom a death qualifies the discharge of bereavement days. It also added a new provision for teleworking.

The following table shows a recent history.

Cost-of-Living Adjustments		
Fiscal Year	**Increase**	**Notes**
2017	-	
2018	2.0%	December 24, 2017
2019	2.5%	December 23, 2018
2020	3.0%	2.0% June 23 & 1% December 22
2021	2.5%	Eff. July 1, 2020 - Retro paid in FY 2022
2022	2.5%	Plus $1,500 for union members
2023	2.5%	Plus $1,500 for union members
2024	2.5%	July 1, 2023

Excludes Troopers, RIBCO and some other smaller unions

Overtime. Overtime accounts for 3.5 percent of total salary and benefit expenses. The majority of overtime expenses occur in the Department of Corrections for correctional officers, followed by the Departments of Public Safety, Behavioral Healthcare, Developmental Disabilities and Hospitals, Children, Youth and Families, Higher Education and Transportation.

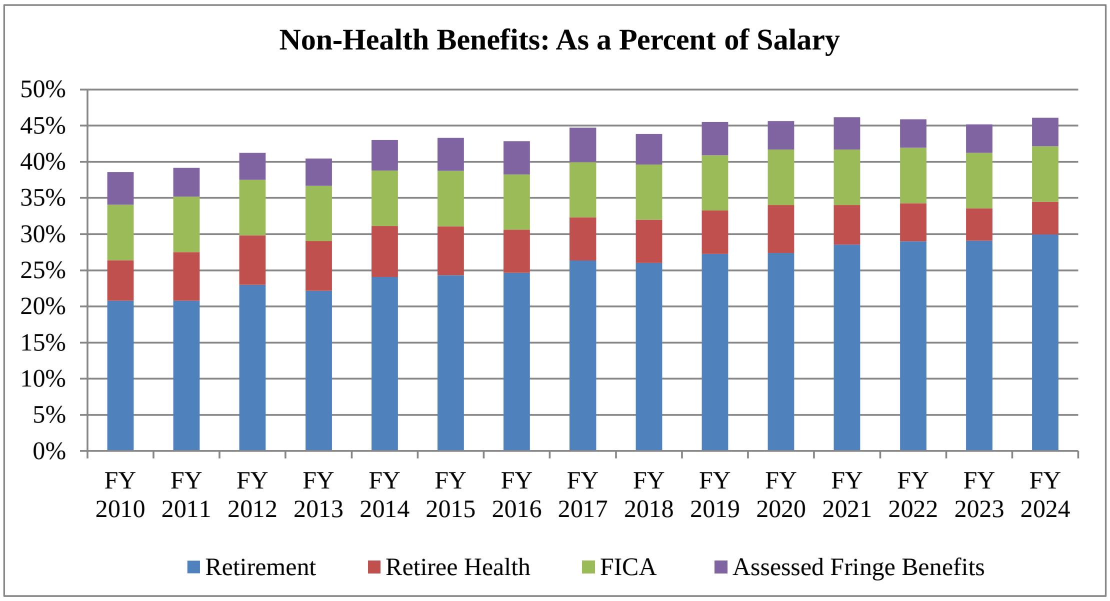
Overtime - FY 2024 Recommended	
Corrections	23.9%
BHDDH*	20.5%
Public Safety	16.3%
Human Services	9.1%
Children, Youth and Families	8.9%
Higher Education	7.7%
Transportation	7.2%
All Others	6.6%
Total	**100%**

**Misclassification corrected to reflect intent*

The Department of Administration announced a new overtime policy in June 2019. It required each agency to develop and submit to the Division of Human Resources and the Office of Management and Budget detailed overtime authorization and approval procedures, which must be submitted by October 15, 2019. Beginning in FY 2020, agencies are also required to submit to the Office of Management and Budget quarterly reports of overtime expenses along with their quarterly financial reports.

Benefits. Benefits include direct benefits to employees such as health, workers' compensation and unemployment as well as unfunded liabilities for retirement and retiree health benefits. The following chart shows non-health benefits as a percent of salary from FY 2010 through FY 2024.

In that 15-year period, the calculation increased from 38.6 percent to 46.1 percent. It is important to note that while FICA is part of the cost of a position, it is a federal requirement over which the state has no control. Each benefit is described in the paragraphs that follow. With the exception of health benefits, these are calculated as a percentage of salary and now represent almost one-half of the salary of each position.



Retirement. Participation in Rhode Island's hybrid defined benefit/defined contribution plan is mandatory for most state employees, except for certain higher education employees who participate in a defined contribution plan. The 2011 Assembly adopted changes including participation in a new defined contribution plan for all employees, except judges, state police and correctional officers. The 2015 Assembly enacted changes consistent with the pension settlement agreement reached in the spring of 2015; these changes are described later in the report.

Employees must work until a combination of their years of service and age equal 95. Employees who were not eligible to retire when the 2011 changes became effective have an individualized retirement age based on their years of service, but they must be at least 59 years old to retire.

The salary basis is the five highest consecutive years. Cost-of-living adjustments are only granted when the pension systems' aggregate funded ratio exceeds 80.0 percent; the formula uses both investment returns and inflation, but no more than 3.5 percent or less than zero. It is only applied to the member's first $25,000 of pension income, indexed to grow at the same rate as the cost-of-living adjustment. Prior to full funding, intermittent cost-of-living adjustments are granted every four years and there are different provisions for pre-settlement retirees. There have been many changes to the retirement system over the past several years. These changes are discussed later in the report.

The retirement rates are determined actuarially and under Rhode Island General Laws; they are certified annually by the State of Rhode Island Retirement Board. The Board's current policy is that the contribution rates determined by an actuarial valuation take effect two years after the valuation date. The Retirement System conducts an experience study every three years to evaluate the appropriateness of assumptions. The actuaries use the system's own experience where relevant and credible data is available. It uses population or general economic data such as inflation for other assumptions. The assumption changes are incorporated in future annual valuations that determine the rate required to support the defined benefit portion of the pension system. The System's actuaries conducted an experience study during the spring of 2017. As a result of that as well as an asset liability review conducted by the State Investment Commission, the Board approved new assumptions, including decreasing the investment return assumption from 7.5 percent to 7.0 percent as well as some other assumptions around inflation, wage growth and mortality. These changes were included in the actuarial valuation, effective for FY 2021 and beyond.

The rate for FY 2019 was revised upward by 2.1 percent or 0.53 percentage points based upon the retirement incentive program the administration undertook in the fall of 2017, and described later in this report. In

2021, the administration offered the voluntary retirement incentive. The rates for FY 2024 as well as the previous seven years are shown in the table below.

Employer Contribution Rates - Regular Employees								
FY	2017	2018	2019	2020	2021	2022	2023	2024
Rates	25.34%	24.87%	26.28%	26.39%	27.54%	28.01%	28.01%	28.97%

Retiree Health. The state provides health coverage to individuals who are retired from state employment, who have at least 20 years of state service and are at least age 59. Eligible retirees pay a 20.0 percent cost share on the actual cost of the plan. These benefits are less generous than previously provided and are discussed later in the report. The Board of Education has a separate plan for certain higher education employees.

FICA. The Federal Insurance Contributions Act tax is a United States payroll tax imposed by the federal government on both employees and employers to fund Social Security and Medicare. This applies to all state employees except State Police. This rate is applied on salaries and overtime; however, the Social Security portion has a salary limit, currently $160,200 for 2023. The total rate is 7.65 percent, including 6.2 percent for the Social Security portion and 1.45 percent for the Medicare portion, which has no salary limit.

Assessed Fringe. The assessed fringe benefit internal service fund was established in August 1999 to comply with federal regulations and to eliminate the fluctuations in agency budgets that result from workers' compensation claims, unemployment claims, and unused leave. A biweekly assessment is applied to the amount of salaries and wages paid from all accounts and funds. This fund allows the costs to be spread out over all fund sources, as opposed to only general revenues.

The rate has varied over time based on policies that affect expenses it supports.

Assessed Fringe Benefit Rate History								
FY	2017	2018	2019	2020	2021	2022	2023	2024
% of Salary	4.75	4.20	4.40	3.95	4.52	3.95	3.95	3.95

Recent fluctuations have been related to two separate voluntary retirement incentive programs and outsourcing the administration of the Workers' Compensation program. The FY 2024 recommended budget includes the FY 2023 enacted rate of 3.95 percent. The current rate for certain public safety personnel is 1.90 percent because these employees receive injured on duty benefits as opposed to workers' compensation. The rate for higher education faculty is 3.30 percent because they do not receive severance payments.

Health Benefits. All full-time state employees and certain part-time employees are eligible for health benefits, including medical, dental and vision through Blue Cross Blue Shield, effective January 1, 2020, and Delta Dental. The state is self-insured but these entities administer the benefits.

Gross Cost	**Individual Plans**	**Family Plans**
Medical		
Anchor Choice	$ 8,545	$ 23,952
Anchor	$ 8,606	$ 24,127
Anchor Plus	$ 9,209	$ 25,814
*Dental**	$ 442	$ 1,142
*Vision **	$ 68	$ 188

Average cost for FY 2024

**Enhanced base vision and dental plans are available but financed by the employee*

For vision and dental plans, the excess cost of an enhanced plan is covered by the employees exclusively.

Employees began contributing to the cost of this health care in 2005. At that time, some employees paid a percentage of salary, depending on salary range, and some employees paid 5.0 percent of the cost of the health plans. Currently, an employee's contribution is a percent of plan cost depending on his or her salary and the type of plan chosen.

The state started offering three medical plans, called Anchor Choice, Anchor and Anchor Plus, three dental plans and two vision plans, effective on January 1, 2019. Previously, only one plan was offered. In the 2018 settlement with the Raimondo Administration, among the other provisions of the contract were increased co-pays for office visits and prescription drugs, and increased deductibles. The deductibles are based on plan selections and are now $500 to $1,500 for an individual, and $1,000 to $3,000 for a family. They were previously $250 and $500 for individuals and families, respectively. The recently negotiated agreement with the McKee Administration maintains the same deductibles.

FY 2024	**Below $59,501**		**$59,051 - $113,516**		**Over $113,516**	
Per Employee	Individual	Family	Individual	Family	Individual	Family
Total Cost of Benefits[1]	$ 9,719	$ 27,144	$ 9,719	$ 27,144	$ 27,144	$ 22,980
% of Premium: State	80.0%	85.0%	80.0%	80.0%	75.0%	75.0%
Annual Cost to State	$ 7,775	$ 23,072	$ 7,775	$ 21,715	$ 20,358	$ 17,235
% of Premium: Employee	20.0%	15.0%	20.0%	20.0%	25.0%	25.0%
Annual Cost to Employee	$ 1,944	$ 4,072	$ 1,944	$ 5,429	$ 6,786	$ 5,745

[1] *Based on Anchor Plus Plans*

The previous table shows the cost of health benefits and the employee co-shares for FY 2024 for both individual and family plans. For budget planning purposes, a weighted average is used to calculate the cost of medical benefits for vacant positions. The following table shows the weighted average cost per benefit type.

Weighted Average	**FY 2023 Enacted/ Gov. Rev.**	**FY 2024 Planning**	**Planning to Enacted**	**FY 2024 Recommended**
Medical	$ 15,366	$ 16,134	$ 768	$ 16,134
Dental	689	723	34	723
Vision	112	118	6	118
Total	**$ 16,167**	**$ 16,975**	**$ 808**	**$ 16,975**

The Governor's revised budget includes the enacted and the planning values for FY 2023. The FY 2024 planning values were estimated at $16,975, which is $808 or 5.0 percent more than the enacted budget. The Governor's recommendation assumes rates consistent with FY 2024 planning values.

In June 1997, before employees were contributing to the cost of health benefits, the state began offering employees the option of choosing a medical benefit waiver as opposed to enrolling in a state health plan. The waiver had been $2,002 through FY 2011; it was then reduced by half to $1,001. More recent contracts eliminated the waiver option for two state employee spouses who were hired on or after June 29, 2014.

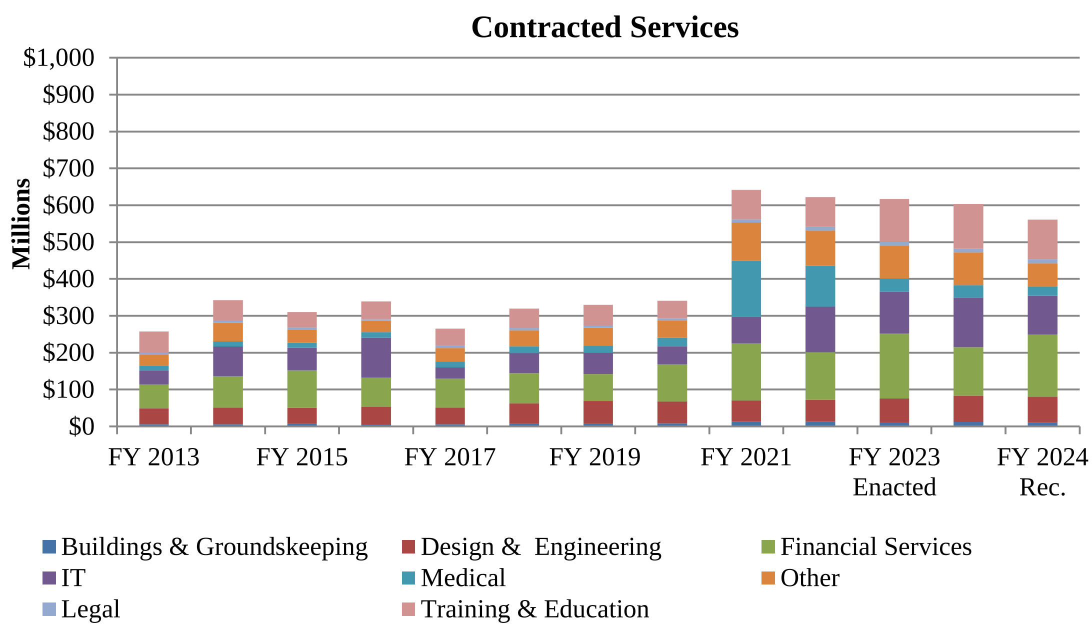
Total Costs. The total cost examples for two employees who have salaries of $65,000 and $115,000, respectively, and a family health plan in FY 2024 is displayed in the following table.

Cost of a Position - FY 2024 Recommended				
	Expense	% of Salary	Expense	% of Salary
Salary	**$ 65,000**		**$ 115,000**	
FICA	$ 4,973	7.65%	$ 8,798	7.65%
Assessed Fringe	2,568	3.95%	4,543	3.95%
Retiree Health	2,938	4.52%	5,198	4.52%
Retirement	19,481	29.97%	34,466	29.97%
Subtotal	**$ 29,959**	**46.09%**	**$ 53,004**	**46.09%**
Health Benefits*	$ 27,144	Family Plan	$ 27,144	Family Plan
Total Co-Share*	(5,429)	20.00%	(6,786)	25.00%
Subtotal Benefits	**$ 51,674**	**79.5%**	**$ 73,362**	**63.8%**
Total Cost	**$ 116,674**		**$ 188,362**	

**Based on Anchor Plus Plans*

Contracted Services. Contracted services make up the remaining 21.2 percent of personnel costs. The recommended budget includes $561.0 million for expenditures the state classifies as contracted services, often referred to as consultants. These expenditures reflect the compensation paid for the services of non-employee individuals or firms and include payments to professional practitioners and other independent contractors who sell their services. These exclude expenses paid through internal service funds of $15.9 million and $16.7 million in FY 2023 and FY 2024, respectively.

The following graph shows the types of services provided by outside contractors from FY 2013 to the FY 2024 recommended budget. The majority of the reported expenditures were previously for information technology and financial services; as the Unified Health Infrastructure Project was being implemented. They have recently been medical services, and others such as contact tracing during the pandemic. The smallest areas of spending are legal services and buildings and groundskeeping services.



The FY 2013 and FY 2014 budgets include over $50 million from federal funds for the implementation of the Affordable Care Act. Major increases from FY 2017 to FY 2018 and FY 2019 relate to expenses for the Unified Health Infrastructure Project. The majority of the increase from FY 2020 through the FY 2022 revised budget are for laboratory testing, contact tracing and other services related to the COVID-19 pandemic. The 2022 Assembly provided $616.7 million for FY 2023.

The Governor's FY 2023 revised recommendation includes $13.1 million less from all sources than enacted for FY 2023; however, these expenses are $7.7 million more from general revenues. This includes $2.8 million more than enacted, primarily related to increases in medical services cost and usage for the Department of Corrections. It also includes $1.9 million in the Department of Health for contracted medical examiners, reflecting turnover savings, livery and other services. The recommendation includes $561.0 million for FY 2024, including $109.4 million from general revenues. This is $55.7 million less than enacted, primarily reflecting lower COVID-19 related expenses.

For the past decade, the Assembly has required state agencies to be held more accountable for contracted services they purchase. These requirements have not been well executed. The Assembly concurred with most of Governor Chafee's FY 2015 budget proposal to repeal or consolidate them to improve compliance. The paragraphs that follow identify these reporting requirements as well as any significant revisions and current compliance.

RIGL 42-90-1. This statute, first adopted in Chapter 161 of the Public Laws of 1985, requires all departments, commissions, boards, councils and other agencies to submit to the Secretary of State the name of any person who performs legal, medical, accounting, engineering or any other professional services, and the amount of the compensation received by the consultant during the previous quarter. It further requires the Secretary of State to compile, publish and make a report available to the public.

The 2006 Assembly amended this legislation in H 6779, Substitute A, to establish a $100,000 threshold for which services obtained are substantially similar to work performed by regular employees of the department, commission, board, council or agency. The legislation further required state agencies to list all privatization contracts as part of the budget requests, which must contain the name of the contractor, duration of the contract and costs of previous, current and upcoming years. Agencies must also include a summary of contracted private employees for each contract, reflected as full-time equivalent positions and their hourly wage rate. It appeared that only a few agencies were complying with this requirement.

The 2007 Assembly adopted legislation in Public Law 2007, Chapter 73 requiring an extensive cost comparison analysis as well as an appeals process prior to privatization of any state facility, function or property. It required that bids for such services substantially beat the current in-house costs and meet or exceed current service quality and performance. The comparisons must consider monitoring and conversion costs. The 2008 Assembly further amended the legislation by modifying the requirements.

Governor Chafee included legislation in Article 17 of his recommended FY 2015 budget that increased the threshold from $100,000 to $150,000 and required that the reporting be annually submitted to the Budget Office electronically. The legislation requires that the Budget Office electronically post all contracts and reports online using the state's transparency portal or an equivalent website no later than December 1 of each year. The Assembly concurred and included the legislation in Section 4 of Article 9 of 2014-H 7133, Substitute A, as amended. Despite the change, the administration was not in compliance with this requirement. At the Personnel Issues Hearing on April 4, 2018, the Director of Administration pledged to be in compliance with this reporting requirement. Since then, reports for FY 2015 through FY 2022 have been posted on the state's transparency portal.

RIGL 37-2.3-1. The 2006 Assembly adopted legislation requiring agencies to list all privatization contracts as part of the budget request when obtaining services that are substantially similar to work performed by regular employees of the department, commission, board, council or agency starting in FY 2009. The list must contain the name of the contractor, duration of the contract and costs of previous, current and upcoming years. Agencies must also include a summary of contracted private employees for each contract, reflected as full-time equivalent positions and their hourly wage rate.

Governor Chafee submitted legislation to alter the requirements so that agencies provide actual information for the prior fiscal year and projected costs for the current and subsequent fiscal years. The listings must be published annually online using the state's transparency portal or an equivalent website no later than December 1 of each year. Subsequently, he requested an amendment to restore language that had previously removed subcontractor from the definition of privatization contractor and clarify what agencies must include in reports for prior, current and upcoming fiscal years and which positions must be reflected as full-time equivalent positions. The Assembly concurred.

This reporting requirement has not been met since it was adopted by the 2014 Assembly. The staff from the Budget Office previously indicated that it had been in discussions with Council 94 to format the template for reporting. It does not appear that anything came of that.

RIGL 42-149-1. This statute, adopted in Public Law 2007, Chapter 525, requires all state departments to submit quarterly reports of all non-state employee expenditures for legal services, financial services, temporary work and other non-state employee personnel costs. The report must contain efforts made to identify qualified individuals or services within state government, factors used in choosing a non-state employee or firm, results of requests for proposals for services or bids for services, and the actual cost and the budgeted cost for the expenditure. Governor Chafee included legislation in Article 17 of 2014-H 7133 to repeal this, in conjunction with modifying a similar requirement. The Assembly concurred.

RIGL 42-149-3.1. This legislation, adopted in Public Law 2011, Chapter 409, requires an assessment of 5.5 percent on contractual costs to be paid to the retirement system on a quarterly basis when a department, commission, board, council, agency or a public corporation agrees to obtain contractual services that are substantially similar to and in lieu of services provided by regular employees. During the FY 2013 budget process, the administration indicated that it developed a mechanism within the state's accounting system to calculate this charge and $0.4 million was collected each year from FY 2013 through FY 2018, $0.5 million in FY 2019, $0.3 million was collected in FY 2020, and $196,270 in FY 2021. The budgets include $326,045 for FY 2022 and $279,252 for FY 2023. Governor Chafee included legislation in Article 17 of 2014-H 7133 to repeal the 5.5 percent assessment. The Assembly did not concur.

P.L. 2007, Chapter 073. The 2007 Assembly adopted legislation to correct a situation concerning contract employees that were doing the same work as state employees, under state employee supervisors. Departments and agencies would be allowed to convert those positions to state employee positions within available funding. The law also required that an agency or department may not employ contracted employees or employee services where the contracted employees would work under state employee supervisors after October 1, 2007, without determination of need by the Director of Administration acting upon the positive recommendations of the Budget Officer and the Personnel Administrator and 15 days after a public hearing. This language was included in budgets until FY 2016. The Assembly restored the provision in the FY 2020 through FY 2023 enacted budgets. The Governor's FY 2024 recommendation retains the provision.

Recent Compensation and Benefit Revisions

Recent budgets have included initiatives affecting personnel costs including savings from reducing retirement benefits, compensation and implementing pay reductions for state employees. These are described in the paragraphs that follow, along with the Assembly's action on those items.

- ***Retirement Benefits.*** As part of a special session, the 2011 Assembly enacted legislation that suspended new cost-of-living adjustments to retirees' benefits until the system is better funded but provided for an intermittent cost-of-living adjustment every five years until the system in the aggregate is 80.0 percent funded. It moved all but public safety employees into a hybrid pension plan that includes a defined contribution plan. It increased the minimum retirement age for most employees not already eligible to retire and changed the benefit accruals to 1.0 percent per year of service beginning July 1, 2012. It reduced the vesting requirement from ten years to five years and preserved accrued benefits earned through June 30, 2012. It increased the minimum retirement age for teachers and state employees to Social Security Normal Retirement Age, not to exceed 67, applied proportionally to employees based on current years of service, but no less than 59.

Public labor unions challenged the constitutionality of the law subsequent to its enactment. To avoid what could have been a lengthy and costly trial, the state and labor unions were ordered into federal mediation. In February 2014, a proposed settlement was announced, which maintained most of the pension changes; however, the retirement age was reduced from 67 to 65 and allowed employees who have worked at least 20 years to keep their defined-benefit pensions. Retirees would receive a one-time 2.0 percent cost-of-living increase upon the enactment of the agreement and intermittent cost-of-living increases would be given every four years instead of every five years. Additionally, the settlement needed the approval of retirees, state employees, as well as the General Assembly. If more than half of any one group were to vote against the settlement, the litigation would continue. Though most employees and retirees voted in support of the settlement, a majority of police officers voted against it; thereby rejecting the settlement in whole. The trial was originally scheduled for September 2014, and later rescheduled for April 2015.

In March 2015, a proposed settlement was announced. The Assembly enacted Article 21 of 2015-H 5900, Substitute A, as amended, to codify the pension settlement agreement signed by all the parties (except all municipal police and Cranston fire) in April 2015 and determined by the Court to be fair, adequate and reasonable in May 2015. The legislation does not exclude any parties. It preserves over 90 percent of the 2011 pension reform savings. The changes include providing a cost-of-living increase every four years instead of every five as well as two, one-time $500 payments to all current retirees. It changes the formula for calculating the cost-of-living increase to use both investment returns and the consumer price index with a maximum of 3.5 percent; at the time it was only based on investment returns with a 4.0 percent maximum. It also increases the base used for cost-of-living calculations from $25,000 to $30,000 for current retirees.

It returned state employees, teachers and Municipal Employees Retirement System (MERS) general employees with at least 20 years of service as of June 30, 2012 to a defined benefit plan with a 2.0 percent annual accrual and higher employee contribution rate. It increased the state's contribution to the defined contribution plan for those with between 10 and 20 years of service as of June 30, 2012. It increased accrual rates for correctional officers and municipal public safety employees. The legislation also included adjustments to the retirement age for all groups and allowed local municipalities to re-amortize the unfunded liability four additional years to 25 years for MERS plans and the local employer portion of teacher contributions.

- ***Retiree Health Benefits.*** The 2008 Assembly enacted legislation to change its provision of retiree health benefits from a pay-as-you-go system along with significant benefit reductions to future retirees effective October 1, 2008. Based on a recommendation in the Governor's FY 2009 revised budget, the 2009 Assembly enacted legislation to delay the move to a trust fund for two years. The trust fund was set up in FY 2011 and the state is now funding on an actuarial basis.

The 2012 Assembly adopted legislation establishing a Medicare exchange for eligible retirees that offers a wider array of health benefit choices at a lower cost through competition. The state sets up a Health Reimbursement Arrangement for each retiree and deposits the state subsidy into the account each month. It is the same percent subsidy that the retiree previously received. The maximum state contribution is set equal to the lowest cost plan, adjusted for age that is comparable to the highest former plan. A retiree can choose a lower cost plan and use the balance of funds for any approved expense including: purchasing a plan for a spouse, dental or vision plan, and payment of Medicare Part B premiums and Part D coverage.

As part of her FY 2016 recommended budget, Governor Raimondo proposed changing the requirements for what benefits must be included in early retiree health benefit plans. The Assembly did not concur.

It should be noted that the federal "Cadillac" tax was scheduled to take effect in 2018 for plans deemed high cost. The tax would be 40.0 percent of the cost above federally established thresholds. While final regulations had not been issued, it was widely assumed that the threshold would be $10,200 for an individual plan and $27,500 for a family plan. The current pre-65 rate plan costs $11,300 for an individual plan and $31,500 for a family plan. In January 2018, Congress delayed the start of the tax to 2022. In December 2019, Congress repealed the tax.

- ***Longevity.*** The 2011 Assembly ended new longevity payments for all state employees effective July 1, 2011, or upon the expiration of any current collectively bargained contract. Employees continue to receive the same longevity percentage they have already earned; however, no new longevity will be granted. Provisions for these payments are generally a matter of collective bargaining agreements for union employees or personnel policy for non-union staff. Non-classified employees of the former Board of Governors, Board of Regents and Public Telecommunications Authority received longevity payments of five percent after 10 years and ten percent after 20 years, pursuant to three different sections of the General Laws. Out-year estimates had projected $4.0 million in annual costs from this provision.

Governor Raimondo proposed in her FY 2016 budget to freeze longevity payments currently expressed as a percent of salaries, at the amount earned by an employee as of June 2015, or the last pay period prior to the expiration of applicable collective bargaining agreements, whichever occurs later. It also excluded longevity from an employee's base rate salary, which means longevity will not grow with other raises. She subsequently requested an amendment to rescind this proposal. The Assembly retained current law.

- ***Voluntary Retirement Incentive.*** In 2017, the Raimondo Administration implemented a voluntary retirement incentive under its own authority as part of an effort to achieve the $25.0 million of undistributed savings in the FY 2018 enacted budget. State employees eligible to retire on or before December 31, 2017, were eligible for the incentive, which was two times the employee's longevity capped at $40,000. The administration indicated that there were 941 eligible state employees and it assumed savings of $6.5 million based on the assumption that 45 percent of eligible employees would retire by January 31 for five months of savings. Payouts would be made from the Assessed Fringe Benefit Fund, which is generated from all fund sources. The savings also assumed that only 60 percent of those vacated positions are filled for one month in FY 2018 and at 70 percent of the incumbent's cost in the first year.

The incentive program was implemented in stages based on the amount of longevity to allow the Retirement System time to process the applications. The most senior employees had until February 15 and the least senior had until April 15. The Governor's revised budget included savings of $4.6 million from vacancies, but no comprehensive information was provided on how much savings was assumed to offset added costs. Much of the vacancy savings assumed in FY 2018 did not appear to repeat in FY 2019. Based on updated program participation data, the Assembly assumed additional savings in both FY 2018 and FY 2019. It appears that 364 employees received the payment. The total impact was unclear as a high level of the vacated positions appear to have been refilled.

The administration again offered this incentive during FY 2021; it was implemented in stages. Employees with longevity of 20.0 percent must have retired by April 15, 2021, employees with longevity of 15.0 percent or 17.5 percent no later than May 15, 2021, and employees with longevity of 5.0 percent or 10.0 percent must have retired by no later than June 15, 2021. Eligible employees were allowed to obtain an extension, which must be approved by the State Personnel Administrator and must leave state service by September 30, 2021.

The administration indicated that there were 900 eligible state employees and the recommended budget included $8.2 million of undistributed savings. Based on the impact to the Assessed Fringe Benefit Fund, being used to pay the incentive, the Governor's FY 2021 revised budget added $2.2 million from general revenues in associated benefit rate increases. The net general revenue savings was $6.0 million. This assumed a delay in refilling the positions and that they are filled without paying the longevity bonus or otherwise upgraded from the current classification. A total of 372 individuals opted to receive the payment. The 2021 Assembly included the savings in agencies with participating employees.

- ***Workshare.*** The Department of Administration instituted a program to allow non-essential state employees to participate in a program, whereby they work 60 percent of their regular weekly hours from June 14, 2020 through September 5, 2020 and claim federal WorkShare benefits for the remaining time. Benefits for such programs are fully paid with federal funds. Because of the extra $600 weekly payment that accompanied all unemployment claims through the end of July, participants earning less than $69,500 were not adversely impacted and likely experienced increased compensation. Statewide, this program produced savings of $7.7 million in FY 2020 and $9.0 million in FY 2021, including $4.6 million from general revenues; more than 1,300 employees opted to participate in the program.

- ***COVID Related Personnel Expenses.*** The federal CARES Act adopted in response to the crisis provided $1,250.0 million to Rhode Island for related expenditures incurred between March 1, 2020 and December 30, 2020, including responding directly to the emergency. Payroll expenses for public safety, public health, health care, human services, and similar employees whose services are substantially dedicated to mitigating or responding to the COVID-19 public health emergency are allowable expenses as are those to facilitate compliance with COVID-19 related public health measures. Revised federal guidance issued in September 2020 further clarified and broadened eligible costs. In total, the state realized savings of approximately $120 million for FY 2020. The FY 2021 final budget includes $227.0 million of general revenues savings; the savings were $230 million.

- ***Deferred Pension Liability.*** In 1991 and 1992, the state deferred payments into the retirement system as one of the many measures taken to address the financial crisis at the time. That deferral is part of the unfunded liability being paid down in annual pension contributions and is calculated separately in each actuarial valuation. As of the most recent valuation, setting the retirement rates for FY 2024, the value of this liability is $61.8 million. This includes $26.9 million related to state employees and $34.9 million related to teachers. It represents approximately $6 million of the state's combined annual payments of $541.7 million into both systems. The Governor recommended making a $61.8 million appropriation in FY 2022 to the retirement system to specifically pay off this debt. His out-year forecast assumes annual savings to the state begin in FY 2025, when those rates are set with this liability removed. The Assembly concurred. The FY 2025 rates were adopted by the Employees' Retirement System in December 2022 based on the June 30, 2022 valuations.

- ***Statewide Cost-of-Living Adjustments.*** In late 2021, Governor McKee reached agreements with a majority of state employee unions that include cost-of-living adjustments of 2.5 percent annually from FY 2021 through FY 2024, for a total of 10.0 percent. It also includes two $1,500 bonuses with one payable to current union employees as of the ratification of the contract and the second for those employed on July 1, 2022. His budget included $102.6 million in FY 2022 and $203.5 million in FY 2023 to account for these agreements and assuming the pay increases also apply to non-union state employees. It did not account for potential costs where settlements were not yet reached. The general revenue share is $65.0 million in FY 2022 and $126.3 million in FY 2023. The value of the bonus payments alone is $21.4 million over the two-year period with $12.6 million from general revenues; it is applicable only to union employees.

His recommended budgets contained $203.5 million of which $126.3 million was from general revenues to account for these agreements over both FY 2022 and FY 2023. Since the administration had not reached agreements with the unions representing state troopers and correctional officers, the Governor's budget did not specifically allocate any resources for such settlements. The Governor also did not assume like funding for non-classified higher education employees whose salaries are under the purview of the respective governing bodies.

Component		General Revenues		All Funds
FY 2021 - Year 1 - Retro Payment	$	20,691,740	$	29,554,790
FY 2022 - Year 1 Base Adjustment		20,691,740		29,554,790
FY 2022 - Year 2 Increment		17,364,917		32,815,201
First Bonus		7,298,102		12,067,179
State Troopers		3,161,221		3,400,000
FY 2022 Budget	**$**	**69,207,720**	**$**	**107,391,960**
FY 2023 - Years 1 & 2 Base Adjustment	$	38,056,657	$	62,369,991
FY 2023 COLA - Year 3 Increment		16,889,677		27,820,866
Second Bonus		7,360,898		12,168,773
RIBCO Reserve & State Troopers		17,225,609		17,732,966
FY 2023 Enacted Budget	**$**	**79,532,841**	**$**	**120,092,596**
RIBCO Reserve Adjustment	$	25,700,000	$	25,700,000
FY 2023 Gov. Rev	**$**	**105,232,841**	**$**	**145,792,596**
RIBCO Reserve Adjustment	$	5,700,000	$	5,700,000
FY 2024 Gov. Rec.	**$**	**110,932,841**	**$**	**151,492,596**
Change to Enacted	*$*	*31,400,000*	*$*	*31,400,000*

The 2022 Assembly concurred with the Governor's subsequent amendment to add a total of $2.8 million in FY 2022 and FY 2023 for retention bonuses that were understated in the Department of Behavioral Healthcare, Developmental Disabilities and Hospitals. It also provided $21.1 million from all sources, including $11.8 million for the State Trooper contract settlement and $9.3 million for members of the Rhode Island Brotherhood of Correctional Officers for base costs if similar agreements to those of other state employees are reached.

The Governor's recommended budgets include a total of $50.0 million from general revenues for projected costs associated with the collective bargaining agreement with the Rhode Island Brotherhood of Correctional Officers. This includes $35.0 million for FY 2023 including the potential for retroactive payments and is $25.7 million more than enacted. It also includes $15.0 million for FY 2024. This appears to represent a revised expectation of potential costs, but the contract was not settled at the time the budget was released.

Distribution of Positions

The number of full-time equivalent positions authorized for each agency and department is contained in Article 1 of the annual appropriations act. The departments and agencies may not exceed the number of full-time equivalent positions authorized in any pay period. Full-time equivalent positions do not include seasonal or intermittent positions for which scheduled periods of employment do not exceed 26 consecutive weeks or for which scheduled hours do not exceed 925, excluding overtime, in a one-year period. Nor do they include individuals engaged in training, the completion of which is a prerequisite of employment.

For many years, the budget has also limited state employees whose funding is from non-state funds that are time-limited to receive appointments limited to the availability of the non-state funding source.

- ***Transfer of State Employees.*** The practice of cost allocation may skew the distribution of positions by function. In this case, cost allocation refers to the practice of charging an agency for a portion of the costs for a position that is working in a different agency. There are also cases in which the entire cost of a position is being charged to one agency while the authorization for that position is in another agency.

The 2017 Assembly adopted legislation in Section 6 of Article 5 of 2017-H 5175, Substitute A, as amended, requiring that the Personnel Administrator or any director of a department file a written report with the Speaker of the House, the President of the Senate and the chairpersons of the House and Senate Finance Committees when transferring or extending the duration of a transferred employee. This report must be filed within seven days of making or extending the transfer. Since the adoption of this requirement, seven reports identifying a total of eight transfers have been received. The 2019 Assembly adopted legislation in Section 11 of Article 4 of 2019-H 5151, Substitute A, as amended, to clarify that reports be made on the transfer of all state employees, including those who are members of labor unions.

The following is a brief summary of the distribution of positions by function. A description of the position changes from the FY 2023 enacted budget follows. Most of the positions in state government are in the education and human services functions, which together account for 54.9 percent of all positions.

Changes to Enacted	**Gen. Gov't.**	**Human Services**	**Education**	**Public Safety**	**Natural Res.**	**Transp.**	**Total**
FY 2023 Enacted	*2,494.4*	*3,734.3*	*4,747.2*	*3,275.6*	*449.0*	*755.0*	*15,455.5*
New Positions	35.0	48.0	11.0	34.0	8.0	-	136.0
FY 2024 Recommended	**2,529.4**	**3,782.3**	**4,758.2**	**3,309.6**	**457.0**	**755.0**	**15,591.5**
Percent by Function	**16.2%**	**24.3%**	**30.5%**	**21.2%**	**2.9%**	**4.8%**	**100%**

The budget includes 2,529.4 full-time equivalent positions for general government agencies, 16.2 percent of the distributed positions. This is 35.0 positions more than enacted for FY 2023 to include staffing for various initiatives, and including the newly created Department of Housing.

The budget includes 3,782.3 full-time equivalent positions for human services, or 24.3 percent of all positions. This is 48.0 more than enacted, including 28.0 for the Department of Health.

The budget includes 4,758.2 full-time equivalent positions for education, 30.5 percent of all positions. Most of the 11.0 new positions are for higher education.

There are 3,309.6 full-time equivalent positions for public safety agencies, 21.2 percent of all positions. Most of the new positions are for the Department of Corrections.

The budget includes 457.0 full-time equivalent positions for natural resources agencies, 2.9 percent of all positions.

The budget includes the enacted level of 755.0 full-time equivalent positions for transportation.

Program Changes to FY 2023 Enacted Staffing Levels

Administration. The Governor recommends FY 2024 staffing of 674.7 full-time equivalent positions, 12.0 more than authorized. This includes 2.0 positions to support the Water Resources Board, 2.0 positions in the Division of Purchases to assist with the implementation of the electronic procurement system, including training, 2.0 positions in Central Management for financial management; 2.0 positions to enhance performance management reviews and audits, 1.0 position to manage various contracts for HealthSource RI, 1.0 position in the Division of Diversity, Equity and Inclusion to conduct site visits to confirm compliance with procurement rules for women and minority owned businesses, and 2.0 positions in Human Resources. The latter two positions will would be financed through agency charges. Consistent with the enacted budget, the recommendation assumes no more than 429.5 full-time equivalent positions of the authorized amount would be for positions that support internal service fund programs. It appears the intent is to include 419.1 positions.

Executive Office of Commerce. The Governor recommends 5.0 full-time equivalent positions for FY 2024, 15.0 positions fewer than authorized, including the transfer of 17.0 positions to the Department of Housing. This is partially offset by 2.0 new positions, including an administrative secretary and a fiscal officer, to perform work currently done by positions that will be transferred to the Department of Housing.

Housing. The Governor recommends 38.0 full-time equivalent positions for FY 2024 for the new Department of Housing. This includes 17.0 positions transferred from the Executive Office of Commerce. He also recommends 21.0 new positions to perform an expanded scope of work, including 9.0 analysts, 5.0 programming officers, 2.0 legal positions, 2.0 compliance positions, 2.0 public affairs positions, and 1.0 chief of staff.

Executive Office of Health and Human Services. The Governor recommends 225.0 full-time equivalent positions for FY 2024, 21.0 more than enacted. This includes the transfer of 7.0 positions from the Department of Health supporting the Health Equity Zones and 3.0 positions from the Department of Human Services' Medicaid Eligibility Quality Control unit. The recommendation adds 3.0 appeals officers for the public health emergency unwinding, 3.0 legal positions, 3.0 budget and finance positions, 1.0 Medicaid Chief of Pharmacy, and 1.0 position to support the Certified Community Behavioral Health Clinics.

Children, Youth and Families. The Governor recommends 705.5 full-time equivalent positions for FY 2024, 3.0 more than enacted. These 3.0 additional Training School positions will help staff additional modules which have opened because of increases in the juvenile population.

Health. The Governor recommends FY 2023 revised staffing of 543.4 full-time equivalent positions, 8.0 positions more than enacted, to address water infrastructure projects review. His FY 2024 recommendation is 13.0 more than the revised budget. This reflects the transfer of 7.0 positions supporting the Health Equity Zones to the Executive Office of Health and Human Services; however, funding for the positions is retained in the Department's budget. It also includes an additional 20.0 positions to backfill vacancies, for total staffing of 556.4 full-time equivalent positions.

Human Services. The Governor recommends 1,068.0 full-time equivalent positions for FY 2024, 1.0 more than enacted. This includes the transfer of 3.0 full-time staff to the Executive Office of Health and Human Services in order to separate oversight related to medical assistance benefits. It also includes the conversion of six seasonal positions at the Veterans' Memorial Cemetery to 4.0 gardener positions to assist with the additional work associated with the federal law change that requires expanding the number of national guard and reserve members and their spouses and dependents that qualify for burial privileges.

Behavioral Healthcare, Developmental Disabilities and Hospitals. The Governor recommends 1,202.4 full-time equivalent positions for FY 2024, which is 2.0 more than enacted for the Division of Developmental Disabilities to support the review and implementation of the rate review model for community-based services.

Elementary and Secondary Education. The Governor recommends staffing of 330.1 full-time equivalent positions for FY 2024, 4.0 more than enacted for the Department's administration. This includes one position to support transformation of low-performing schools, one to support multilingual learner education, one to maintain the operation of the Enroll RI platform that allows families to search for educational programs, and one to support district professional development.

Public Higher Education. The Governor recommends 4,394.3 full-time equivalent positions for FY 2024, 7.0 more than enacted. This includes 3.0 new positions for the Rhode Island Longitudinal Data System. The recommendation also adds 3.0 positions for the implementation of the RI Reconnect initiative, and a new director position to implement the state's Prekindergarten through 20 Public Education Strategic Plan.

Corrections. The Governor recommends 1,459.0 full-time equivalent positions for FY 2024, which is 32.0 more than enacted for the Department's restrictive housing and behavioral management units. This includes 28.0 correctional officers, an adult counselor, clinical social worker, administrative officer, and hearing officer.

Public Defender. The Governor recommends 102.0 full-time equivalent positions for FY 2024, 2.0 positions more than enacted. This includes 2.0 Assistant Public Defender positions to help with caseload issues within the Office.

Environmental Management. The Governor recommends 425.0 full-time equivalent positions for FY 2024, 8.0 positions more than enacted. This includes 3.0 position in the Director's Office and 5.0 for the Bureau of Natural Resources. The positions include engineers, scientists, policy staff, and development crew to improve capacity for public use of management areas.

Internal Service Funds

The state uses internal service funds to reimburse one agency for services provided to another. For example, the Central Utilities account within the Department of Administration charges agencies for utilities expenses, such as electricity costs. In other cases, the service provided is more administrative such as human resources support. The funds to cover these expenditures are budgeted as an operating expenditure in the agency receiving the services. No funds are appropriated to the internal service fund.

Internal service funds lack the transparency of direct appropriations. They are supported by billings to agencies since no money is appropriated to the funds and the services appear as operating costs even though they often fund personnel expenses. This makes it difficult to exercise the same level of scrutiny as direct appropriations. The 2017 Assembly adopted legislation authorizing internal service funds for centralized services including information technology, facilities management, and human resources. It also requires that the Department of Administration report on a quarterly basis, starting with October 15, 2017, the fund activities, including a breakdown by each department and agency. The report must be submitted to the Speaker of the House and President of the Senate with copies to the chairpersons of the House and Senate Finance Committees. The following table shows the dates the reports were submitted.

Fiscal Year	1st 10/15	2nd 1/15	3rd 4/15	4th 7/15
2023	10/17	1/20		
2022	10/27	1/15	4/15	7/15
2021	10/30	2/22	5/14	
2020	10/31	1/17	5/20	8/24
2019	2/19		5/21	9/13
2018	10/13	2/21	11/24	

Previous personnel costs discussed exclude internal service funds expenses; however, the staffing levels do include them, which skews the actual cost per position. This following table shows them included.

FY 2024 Recommended Including ISF	General Revenues	Federal Funds	Restricted Receipts	Other Funds	Total
Salaries and Wages	$ 735,250,297	$ 205,840,356	$ 56,042,945	$ 422,648,073	$ 1,419,781,671
Benefits	409,788,083	131,105,644	32,319,299	163,807,822	737,020,848
Total Salaries and Benefits	**$ 1,145,038,380**	**$ 336,946,000**	**$ 88,362,244**	**$ 586,455,895**	**$ 2,156,802,519**
Contracted Services	109,350,017	295,506,640	110,563,931	62,251,157	577,671,745
Total Personnel	**$ 1,254,388,397**	**$ 632,452,640**	**$ 198,926,175**	**$ 648,707,052**	**$ 2,734,474,264**

The associated staffing costs of $66.5 million support 463.3 full-time equivalent positions statewide, including 419.1 positions in the Department of Administration. Section 11 of Article 1 of the recommended budget stipulates that no more than 429.5 of the authorized level would be for positions that support internal service fund programs. This is consistent with the enacted budget; however, the intent is to include 419.1 positions. There are also 12.0 positions in the Department of Public Safety, 4.2 positions in the Secretary of State and 28.0 positions in the Department of Corrections.

This table shows the budgets for the most recent created internal service funds; they have the largest staffing costs. The bottom part of the table shows resources that are budgeted in agencies to support them.

ISF Budgets	FY 2022 Preliminary	FY 2023 Enacted	FY 2023 Rev. Req.	FY 2023 Revised	FY 2024 Request	FY 2024 Recommended
Human Resources	$ 15,732,591	$ 15,991,654	$ 18,108,959	$ 16,005,094	$ 19,419,243	$ 17,117,623
Facilities Management	45,574,860	47,011,910	51,856,055	54,866,999	59,092,766	61,150,543
Information Technology	44,377,131	50,789,409	51,348,410	50,748,407	55,901,038	56,136,183
Total	**$ 105,684,582**	**$ 113,792,973**	**$ 121,313,424**	**$ 121,620,500**	**$ 134,413,047**	**$ 134,404,349**
Agency Budgets						
Human Resources	$ 13,443,396	$ 14,725,373	$ 15,320,240	$ 15,255,540	$ 15,808,929	$ 17,426,872
Facilities Management	44,414,580	43,341,075	48,447,836	58,517,648	46,941,253	64,290,642
Information Technology	41,588,159	46,299,602	51,348,410	40,850,422	46,506,926	54,667,783
Total	**$ 99,446,135**	**$ 104,366,050**	**$ 115,116,486**	**$ 114,623,610**	**$ 109,257,108**	**$ 136,385,297**
Difference	**$ 6,238,447**	**$ 9,426,923**	**$ 6,196,938**	**$ 6,996,890**	**$ 25,155,939**	**$ (1,980,948)**

Through the second quarter of FY 2023, the aforementioned program expenses totaled $50.6 million and it appears that agencies were billed $52.9 million, $2.3 million more than expenditures. The recommended budget for information technology services, facilities management and human resources support total $134.4 million for FY 2024; however, the amount of resources assumed in agency budgets to support these operations total $136.4 million, or $2.0 million more. *The FY 2024 recommended budget includes $2.0 million more in resources for the services.*

Information Technology. The Division of Information Technology provides centralized information technology services to state agencies. According to the Department of Administration, expenditures are broken into service categories to calculate a cost of service; from that, rates are developed. Some services include printing, storage, system support, server charges and disaster recovery. At the end of FY 2022, the fund had a balance of $2.4 million. Through the first half of FY 2023, expenses total $19.8 million, while the Department billed $23.0 million for services; resulting in a surplus of $3.1 million. The revised request includes $28.1 million to support 172.0 full-time equivalent positions, $1.8 million less and 12.0 fewer positions than enacted, to align the authorization closer to filled positions. Based on a payroll analysis through the first pay period in January, it appears that the revised request amount of $28.1 million is $1.4 million above projected expenses. Through the first half of the year, the Division averaged approximately 20 vacancies.

The revised request includes $2.3 million more for operating expenses, including $1.6 million for contracted information technology support, for a total of $3.6 million. The request for these expenses is $1.8 million more than FY 2022 expenses. The Department indicates that the additional support is reflective of current vacancies and that it is having to rely more on contractors since it is having problems finding employees with certain skill sets. The request also includes new expenditures of $0.6 million to replace 135 network switches that the division indicates have reached their useful lives. It should be noted that the approved plan includes $1.6 million from the Information Technology Investment Fund to replace 370 switches. The Department notes that the replacement of these switches is intended to be done in four phases; phase one was funded with information technology funds. The FY 2024 request also includes $0.6 million for phase three and planned expenditures of $0.6 million would be requested in FY 2025 for the last phase. This would bring total expenses to $3.3 million for a total of 845 switches, averaging approximately $4,000 per switch. It also includes $0.2 million more for the division's share of centralized services, reflecting recent experience.

The request includes $55.9 million for FY 2024, which is $5.1 million more than enacted and $4.6 million more than the revised request. This includes $29.1 million for salary and benefit expenses for 172.0 full-time equivalent positions, consistent with the revised request. This is $0.7 million less than enacted; however, it is $1.0 million more than the revised request for current service adjustments. Operating expenses of $26.8 million are $3.5 million more than the revised request, including $0.8 million for contracted information technology support, of which $0.6 million is for cloud-based management services. It includes $0.9 million more for software maintenance agreements, including increases of $0.4 million for disaster recovery and $0.2 million for the Enterprise Content Management System, which is used to create and manage digital content. It also includes $1.6 million for equipment, of which $0.9 million is cybersecurity-related expenses.

Information Technology	FY 2022 Reported	FY 2023 Enacted	FY 2023 Revised	FY 2024 Recommended
Expenditures by Category				
Salaries and Benefits	$ 26,912,226	$ 29,874,634	$ 28,109,126	$ 29,153,560
Contracted Services	3,370,129	3,481,462	4,847,985	5,084,796
Other State Operations	13,982,883	17,422,313	17,768,601	21,874,047
Capital	111,893	11,000	22,695	23,780
Total	**$ 44,377,131**	**$ 50,789,409**	**$ 50,748,407**	**$ 56,136,183**
Ending Fund Balance	**$ 2,420,540**			
FTE Authorization	**180.0**	**184.0**	**172.0**	**172.0**

The FY 2023 revised recommendation is $0.6 million less than requested. This includes $6,498 more for salaries and benefits, primarily for statewide medical benefit adjustments. The revised recommendation delays the requested expense for the switch replacement to FY 2024. The recommendation includes expenditures of $56.1 million and staffing of 172.0 full-time equivalent positions, consistent with the request. This is $0.2 million more than requested, including $14,249 for statewide medical changes based on updated estimate of rates. The recommendation does not fund the requested $0.8 million from the cloud-based management services and the Enterprise Content Management System and adds $1.0 million for the switch replacement.

Facilities Management. Facilities Management provides services including property management, grounds keeping and janitorial services for state departments and agencies. It is responsible for 140 state buildings and six court buildings. Expenditures are based on projected costs for utilities, janitorial services, snow removal, repairs and personnel. For billing purposes, each building is assigned a rate, which reflects the cost per square foot for occupancy and agencies are billed based on the square footage they occupy in a facility. At the end of FY 2020, the fund had an accumulated deficit of $1.9 million. In FY 2021, a total of $43.5 million for services were billed to agencies and expenditures were $41.0 million, resulting in a surplus balance of $2.5 million. This eliminated the prior deficit and ended FY 2021 with a surplus balance of $0.6 million. At the end of FY 2022, the fund had a negative balance of $0.2 million. Through the second quarter of FY 2023, expenses total $22.7 million, while the Department billed $22.9 million for services; a current surplus of $0.1 million.

The FY 2023 revised request includes $51.9 million, which is $4.8 million more than enacted. It includes $15.9 million for salaries and benefits for 107.1 full-time equivalent positions. This is $0.3 million more and 1.4 fewer positions than enacted. Consistent with the enacted budget, the request does not include any turnover savings. Based on a payroll analysis through the first pay period in January, the revised request is

$2.6 million above projected expenses; the division has averaged 17 vacancies. Operating expenses are $4.6 million more than enacted, including $3.0 million for natural gas costs based on a projected increase; the current contract expired on October 31, 2022.

Subsequent to submitting its budget request, the Department entered into a one-year contract for natural gas, effective November 1, 2022 through October 31, 2023. Historically, the procurement term was three years but it was reduced to one year due to the volatility of energy costs. The rate increased from 4.7 dekatherm to 15.489 dekatherm. The revised request also includes $1.1 million more for building maintenance and repairs; the request of $3.3 million is $1.4 million less than FY 2022 expenses. All remaining expenses are $0.5 million more, including $0.1 million for the division's share of centralized services and $0.2 million for janitorial supplies and waste disposal. It also includes $0.1 million to subsidize costs associated with maintaining the cafeteria in the Powers Building. The Department indicates that since the pandemic started, more people are working from home, and more individuals coming to work are bringing lunch from home. As a result, the vendor has lost $0.1 million annually, and an agreement was reached to maintain services with the state providing the subsidy.

For FY 2024, the request includes expenditures of $59.1 million for facilities management, which is $12.1 million more than enacted, and staffing consistent with the revised request. It includes $24.9 million for fuel expenses, of which $16.2 million is for natural gas. This is $9.0 million more than enacted and $6.2 million more than the revised request based on the anticipated cost increase. It includes $3.5 million, or $0.1 million more than enacted for operating expenses relating to the Central Power Plant at the Pastore Center. This contract with NORESCO has two components; the direct labor paid, which is a fixed amount and consumables, which depend on repair costs. The request includes the enacted amount of $1.6 million for snow removal; these expenses were $0.7 million in FY 2022. All remaining expenses are $0.5 million more than the revised budget, including $0.2 million for security services based on an anticipated contract for security services, $0.1 million for janitorial services, and $0.1 million for staff training.

Facilities Management	**FY 2022 Preliminary**	**FY 2023 Enacted**	**FY 2023 Revised**	**FY 2024 Recommended**
Expenditures by Category				
Salaries and Benefits	$ 11,927,314	$ 14,695,179	$ 14,699,532	$ 15,592,168
Contracted Services	6,383,578	8,021,577	8,021,577	8,582,254
Other State Operations	26,800,615	24,280,154	32,130,890	36,961,121
Capital	463,353	15,000	15,000	15,000
Total	**$ 45,574,860**	**$ 47,011,910**	**$ 54,866,999**	**$ 61,150,543**
Ending Fund Balance	**$ (221,199)**			
FTE Authorization	**104.5**	**108.5**	**107.1**	**107.1**

The Governor's revised recommendation of $54.9 million is $3.0 million more than requested. This includes $4.9 million for natural gas, reflecting the updated contract. This is partially offset by turnover savings of $0.3 million and maintaining the enacted amount for maintenance and repairs, and janitorial services. The FY 2024 recommendation includes $61.2 million and 107.1 full-time equivalent positions for facilities management. This is $14.1 million more than enacted and $2.1 million more than requested, of which $3.0 million more is for natural gas. The Governor does not recommend funding for the subsidy.

Human Resources. The Division provides human resources services to nearly all state departments. Services include employee benefits, payroll, and labor relations. Agencies are billed based on a cost per filled position. At the end of FY 2022, the fund balance was $47,675. Through the first half of FY 2023, expenses total $8.0 million, while the Department billed $7.1 million for services; resulting in a current deficit of $0.9 million. This is largely attributed to statewide vacancies, as the billing rate had assumed a certain level of filled positions. As noted earlier, there were, 13,746.8 positions filled, or 1,708.7 vacancies as of January 14, 2023.

The FY 2023 revised request includes expenditures of $18.1 million, or $2.1 million more than enacted. This includes $1.3 million more for salary and benefit expenses. Consistent with the enacted budget, the revised request does not include any turnover savings. Based on a payroll analysis through the first pay period in January, the revised request is $1.0 million above projected expenses. The staffing authorization increases by 4.0 full-time equivalent positions, for total staffing of 101.0 positions; however, funding appears to fund 10.0 positions; all within the existing authorization. Operating expenses are $0.8 million more than enacted, including $0.4 million more for the division's share of information technology charges, based on a recent experience, and $0.1 million more for advertising. It also includes $0.3 million to support training opportunities; no specific initiative was identified. The request reflects the Department's priority to provide staff with training to retain employees. Through the second quarter of FY 2023, expenses total $8.0 million, while the Department billed $7.1 million for services; a current deficit of $0.9 million.

The FY 2024 request of $19.4 million is $3.4 million more than enacted and $1.3 million more than the revised request. This includes $15.4 million for salaries and benefits for 103.0 full-time equivalent positions, 6.0 more than authorized and 2.0 more than the revised request, including a programming services officer and a human resources analyst to assist with performance development programs.

Human Resources	FY 2022 Preliminary	FY 2023 Enacted	FY 2023 Revised	FY 2024 Recommended
Expenditures by Category				
Salaries and Benefits	$ 12,923,707	$ 12,836,609	$ 12,393,581	$ 13,233,725
Contracted Services	226,682	204,200	204,200	204,200
Other State Operations	2,581,632	2,921,345	3,377,813	3,650,198
Capital	570	29,500	29,500	29,500
Total	**$ 15,732,591**	**$ 15,991,654**	**$ 16,005,094**	**$ 17,117,623**
Ending Fund Balance	**$ 47,675**			
FTE Authorization	**97.0**	**97.0**	**101.0**	**103.0**

The Governor's FY 2023 revised recommendation is $2.1 million less than requested, including $1.7 million less for salaries and benefits, reflecting turnover savings. He does not recommend the additional funding for advertising and staff training. He includes expenditures of $17.1 million and staffing of 103.0 full-time equivalent positions, consistent with the request for FY 2024. This is $2.3 million less than requested, all but $0.1 million less is for salaries and benefits.

Assessed Fringe Benefits. The Assessed Fringe Benefit Fund provides funding for the state employee workers' compensation, severance pay, unemployment pay, and employee assistance programs. The Fund is supported from a biweekly assessment that is applied to the amount of salaries and wages paid from all accounts and funds. The Department projects FY 2023 revised expenses of $37.0 million, $0.4 million less than enacted for salaries and benefits. It includes the enacted amount of $6.5 million for severance pay.

The Department's FY 2024 request is essentially consistent with the FY 2023 revised request. *The Governor's revised budget is essentially consistent with the enacted budget. He recommends $37.4 million for FY 2024, which is $20,351 more than enacted for statewide adjustments.*

Central Mailroom. Central mail services program provides for inter-agency mail delivery and processing of mail for most state agencies. Agencies are billed based on mail processed on their behalf. The FY 2023 revised request assumes expenditures of $7.9 million, or $559,135 more than enacted. The revised request includes funding essentially as enacted for the authorized level of 9.0 full-time equivalent positions. As of the first pay period in January, there was no vacancy. Of the operating increase, $0.5 million will be used to purchase a mail inserter machine with the capacity to process 20 million pieces of mail annually for the Division of Taxation, Registry, Accounts and Control, and other agencies. The Department indicates that the current machine is 11 years old and is often failing.

For FY 2024, the Department projects expenditures of $8.1 million, which are $0.8 million more than enacted and $0.2 million more than the revised request for postage and metering. The staffing request of 9.0 full-time equivalent positions is consistent with the enacted budget and the revised request. *The Governor's revised recommendation of $7.7 million for FY 2023 is $0.1 million less than requested for equipment maintenance. The FY 2024 recommended budget includes $8.1 million or $17,158 more than requested for statewide adjustments.*

<u>State Fleet</u>. State Fleet provides charges for the administration and fiscal management of state-owned vehicles and operates several fuel depots throughout the state. The FY 2023 revised and the FY 2024 requests assume staffing of 7.0 full-time equivalent positions, one more than authorized reflecting actual filled positions. Consistent with the revised request, the Department projected expenditures of $13.3 million, or $0.4 million more than enacted; this is $0.3 million less than FY 2022 expenditures, primarily for fuel. Agencies are billed based on fuel used, maintenance services provided, insurance costs, and the number of vehicles owned. *The Governor's revised recommendation is $17,379 more than requested, reflecting statewide adjustments. For FY 2024, he recommends $13.1 million and staffing of 7.0 full-time equivalent positions. This is $0.2 million less than requested and maintains expenses for gas, insurance and maintenance expenses at the enacted amounts.*

<u>Telecommunications</u>. The Division of Information Technology's telecommunications program manages all voice telephone line installations, service changes and billings statewide. It also provides direct services both internally to government and to the public. Agencies are billed based on the number of lines they have as well as requested maintenance. The FY 2023 revised request includes expenditures of $3.6 million or $0.1 million more than enacted. It also includes $36,993 less for salaries and benefits, reflecting turnover savings achieved in half of the fiscal year. Operating expenses are $114,553 more, including $39,553 for the division's share of centralized services, and $75,000 for software maintenance costs.

The request includes expenses totaling $3.7 million for FY 2024, or $0.2 million more than enacted. This includes $1.0 million for salary and benefit expenses for 8.0 full-time equivalent positions. This is $10,477 less than enacted; however, $26,516 more than the revised request for current service adjustments. Operating expenses of $2.7 million are $69,888 more than the revised request, primarily for telecommunication costs. *The Governor's recommendation for FY 2023 revised is $0.1 million less than requested to exclude software maintenance expenses. His recommendation of $3.7 million for FY 2024 is $28,473 less than requested, reflecting statewide adjustments for centralized services and medical benefits.*